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# *WEEKLY SUMMARY*

**Secret**

1 June 1973

No. 0372/73

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25X1 The WEEKLY SUMMARY, issued every Friday morning by the Office of Current Intelligence, reports and analyzes significant developments of the week through noon on Thursday. It frequently includes material coordinated with or prepared by the Office of Economic Research, the Office of Strategic Research, and the Directorate of Science and Technology. Topics requiring more comprehensive treatment and therefore published separately as Special Reports are listed in the contents.

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# VIETNAM

## AND THEN THERE WERE THREE

1 [Ottawa has announced that it will withdraw from the ICCS by the end of July. External Affairs Minister Sharp expressed the hope that the advance notice would give those interested time to find a successor and that the withdrawal would not have any significant impact on the peace in Vietnam. The decision is "firm and definite," said Sharp, but the Canadians would be willing to return to Vietnam to help supervise any elections held under the Paris accord.]

2 [The Vietnamese Communists may not be at all unhappy to see the Canadians go, particularly Canadian chief, Michel Gauvin, who has been vocal in his criticism of the obstructionist tactics of the commission's Communist members. Although Hanoi is almost certainly committed to the commission's continuation, the North Vietnamese will angle for a less assertive replacement for the Canadians.]

2 [The commission's effectiveness ultimately depends more on the attitudes of the parties to the Paris accord than on its own composition. The Viet Cong - Saigon two-party commission (to which the ICCS is supposed to report) has never gotten off the ground, and it has been an uphill battle for the peace-keeping machinery as a whole. The Poles and Hungarians continue to impede effective ICCS action, despite repeated assurances from Warsaw and Budapest that the commission can be made to work. The Canadian replacement will step into a very difficult situation.]

2 [Canada's withdrawal from the ICCS highlights the near-paralysis that has gripped the ICCS since its inception. This paralysis is likely to continue unless some new understanding is reached with the Communists to make the body work.]

### Explaining a "Victory"

3 [The Vietnamese Communists have been sending out a variety of signals indicating that

they intend to de-emphasize the fighting over the near term]

3 [Some of this comes through in a broad apologia for Hanoi's handling of the war and the negotiations, published recently in the party's theoretical journal. This candid article, which appeared in March, amounts to a defense of First Secretary Le Duan's policy of aggressive use of main-force tactics. A prominent theme of the article is that if Hanoi had not adopted these tactics, North Vietnam would have been invaded. Tracing the twists and turns of the early stages of the war, the author claims that the revolution in the late 1950s was "in danger of being repulsed." Alluding to the conflict raging at the time between the advocates of lower level guerrilla warfare and supporters of Le Duan's argument for a broad offensive, the article said "the problem was whether to take the offensive or withdraw. Our people chose to attack...." Explaining the rationale for the Tet offensive in 1968 in terms reflecting Le Duan's line, the article says Hanoi felt that "major military efforts" could force the US to "de-escalate, if not end, the war."]

3 [The Communists also admit that President Nixon's election and the "Americanization" of the war posed new problems. The article attributes final "victory" to the main-force offensive



ICCS Helicopter  
*Still on the ground*

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that was launched in March 1972. The tone, however, is unusually defensive. The Paris agreement is described as the "greatest victory we could win considering the actual balance of forces between us and the enemy."

3 Up to now, Hanoi's propagandists have done little but complain about the various political and military pressures that brought Hanoi to the negotiating table. The new apologia for the regime's "correct" strategy over the years is overdue. So is the official scaling down of Communist objectives. The "victory" embodied in the Paris accords is now interpreted as the withdrawal of US forces. With that "victory" in hand, the article implies that Hanoi intends temporarily to lay aside aggressive main force tactics in favor of more peaceful competition.

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Smooth-stemmed Sago

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## INTERNATIONAL MONEY: POST-MORTEM

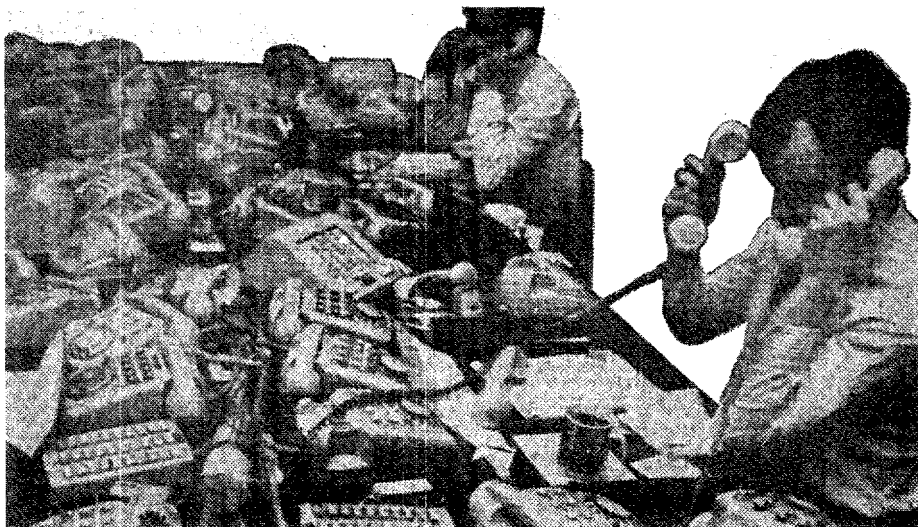
121 The international monetary system is being helped through its latest storm by the predominance of floating exchange rates. Only minor central bank interventions have been needed to maintain the joint European float, and the massive central bank dollar-support operations seen earlier proved unnecessary. West European officials report that international trade has been less affected by adjustments in the floating currencies than had been anticipated.

121 Although the system has performed well, there is one new element that could intensify future currency pressures. It appears that in the absence of central bank intervention, the velocity of currency turnover in the foreign-exchange markets has increased substantially. The result was a large increase in the volume of currency transactions with only a small increase in currency holdings. There has been little movement in the Euro-dollar interest rates, indicating that banks have had adequate funds to meet trader demand for dollars to buy gold or other currencies. By contrast, when the dollar came under heavy pressure earlier in the year, speculative demand for bank funds temporarily pushed the one-month Euro-dollar rate from about 6.25 percent to 10.5 percent. By holding down the cost of speculative

dollar borrowing, increased currency velocity could in the future contribute to large variations in exchange rates.

121 Confidence in the dollar has not yet been restored. During the past week, the dollar's performance has been mixed, and the price of gold has reached about \$115 an ounce on foreign-exchange markets. Although the dollar strengthened last week following the announcement of a dramatic improvement in the US trade balance in April and the subsequent rally on the New York Stock Exchange, the dollar later fell to new low points relative to the joint float currencies in light trading.

121 Deputies of the Committee of Twenty, the sub-group established by the International Monetary Fund to draft a reform package, met again last week, but there is no sign that they made any substantial progress toward agreement. The far from impressive performance of the committee so far and the relative stability of currency markets with the advent of widespread floating of currencies strongly suggest that prospects for an early world monetary reform program are receding.

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Foreign-exchange Dealer's Office

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## ARGENTINA

### PASSING THE BATON

15 While police clashed with Peronist youth, Hector Campora received the presidential sash and baton from outgoing president Lanusse. The transfer officially marked Argentina's return to civilian rule after nearly seven years of relatively ineffectual government by the armed forces. Campora's inauguration speech set a nationalistic but basically moderate tone for the new Peronist government. Most of his cabinet members were drawn from the moderate wing of the Peronist

movement, although his first official acts were designed to please the more radical youth wing.

15 The activities of high-level foreign guests drew almost as much attention as did those of President Campora. The inauguration afforded Secretary of State Rogers the opportunity to meet with Chilean President Allende and such other Latin American dignitaries as Foreign Minister Tack of Panama. Allende, who paid his respects to the outgoing government of General Lanusse as well as to the incoming Peronists, was

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cheered by throngs of Argentines whenever he appeared. Cuban President Dorticos was accorded an even more enthusiastic reception. He visited two major provincial cities before leaving Argentina. Dorticos spoke at a ceremony commemorating the massive 1969 riots in Cordoba and, to the delight of the crowd, praised the memory of that Argentine-turned-Cuban, Che Guevara.]

15 [Against this background of high-powered foreign visitors, Campora set out to put his campaign promise of an "independent" foreign policy into action. At his inauguration, he pledged his solidarity with "anti-imperialist struggles" around the world. Immediately after taking office, he re-established diplomatic relations with Cuba, took steps to establish relations with East Germany, and announced that relations with North Korea would follow soon.]

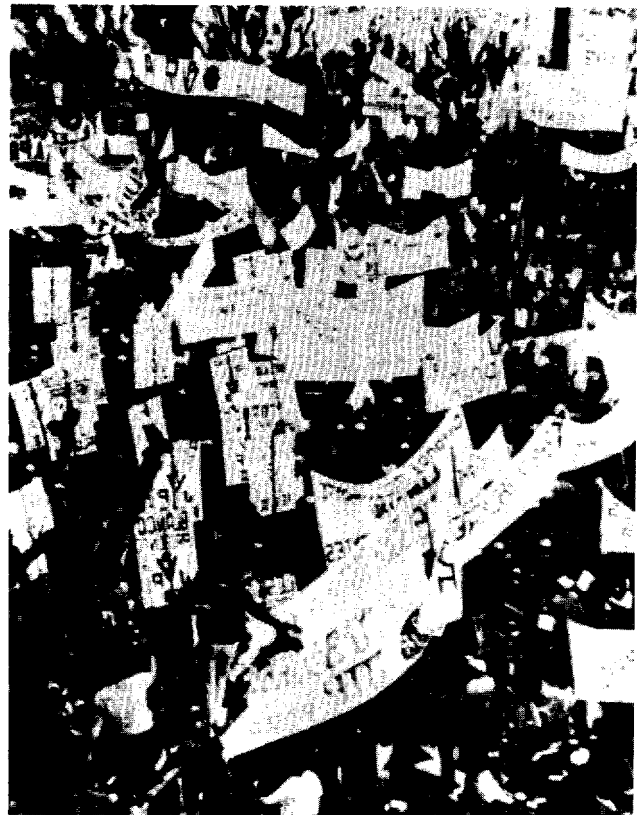
15 [Campora's first official action on the domestic front was to grant presidential pardon to large numbers of "political prisoners." He was pushed into hasty action in part by the threat of mob attacks on the prisons and may come to regret the all-inclusiveness of his amnesty. As imprisoned labor leaders and convicted terrorists alike walked out of the prison gates, many of the freed Trotskyist guerrillas promised to continue the struggle. The special courts set up by the military to deal with subversion were abolished in a further move to break down the "repressive" structure set up by the armed forces. The law making the Communist Party illegal was also abrogated.]

17 [With these actions as a sop to the radical wing of Peronism, Campora installed a cabinet representative of the moderate and the labor wing of the movement. The new economic team, headed by Minister of Treasury and Finance Gelbard, promises little in the way of radical change, and most of the other appointees fall into the same category. The cabinet is totally Peronist, with other parties represented in second-level jobs. The politically important post of minister of social welfare was given to Juan Peron's private secretary, Jose Lopez Rega. Lopez Rega will probably serve as the conduit between Peron and

Campora, and he is likely to emerge as the strongest member of the new government.]

15 [To demonstrate his determination to control the military, Campora selected the most junior of Argentina's major generals, Jorge Raul Carcagno, to be the new army commander. If custom is followed, his elevation will force into retirement the nine major generals senior to Carcagno and thus remove many of the strongest anti-Peronists in the armed forces. General Carcagno has built a reputation as a populist, but he is a thoroughly military man well-respected by his fellow officers. Although he will be more amenable to working with the Peronists than most of his colleagues, he will also be an effective spokesman for the military. He has already served notice that he will tolerate no efforts by the Peronists to politicize the army or to operate outside the chain of command.]

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Peronist Crowds on Inauguration Day

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**SECRET****THAILAND****AT THE SAME OLD STAND**

22 [The lack of any constitutional framework for an orderly transfer of power has vexed successive governments in Bangkok, and the present one has again side-stepped the troublesome succession issue by extending for another year the military duties of both Prime Minister Thanom and army commander Praphat. Thanom's third extension in the largely ceremonial post of supreme commander of the armed forces has a direct bearing on control of the Thai Army—the key to political power in Bangkok. Thanom had announced last January that he would stay on as prime minister but would step down as supreme commander in August. He probably changed his mind at the urging of General Praphat. Had Thanom stepped down, Praphat would have come under strong pressure from the military to move upstairs as supreme commander and turn over command of the army to his deputy and rival, General Krit Sivara.]

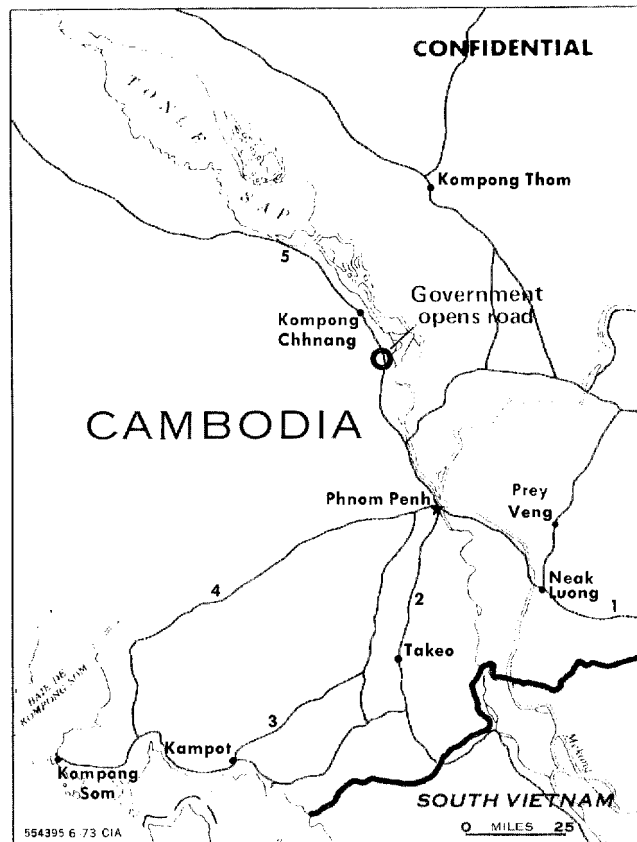
23 [Now, the chances for Krit and other younger officers to move up the ladder have been stymied. The apparent beneficiary is the ambitious Colonel Narong, who is Thanom's son and Praphat's son-in-law. It is possible that Thanom and Praphat decided to hang on because they could not agree on an immediate successor and wanted to give Narong more time to expand his power base.]

23 [This Thai version of the Alfonse and Gaston act means a continuation of the present conservative approach to foreign and domestic policies. The most serious problem facing the government is the Communist-led insurgency. While the insurgency has thus far been contained, its course over the long run will largely depend on Bangkok's ability to come to grips with fundamental economic problems such as the growing disparity in income between urban and rural areas. A significant weakness of the Thanom-Praphat leadership, however, is its apparent lack of interest in developing and implementing the long-range economic policies that could undercut the insurgents. The two leaders may believe, moreover, that the budding Thai relationship with Peking will solve this troublesome problem for them.]

**INDOCHINA****CAMBODIA: THE WAR**

29 [The Khmer Communists are keeping up military activity in the Phnom Penh area, even though the rainy season is now under way. Last week, they started a new operation along the Mekong corridor near the government base at Neak Luong. Their effort to "liberate" Neak Luong has yet to gain much momentum, and the over-all level of military activity subsided during the week.]

29 [Shellings and minor probes continue against government positions on both sides of the Mekong near Neak Luong and around Prey Veng City to the northeast, but heavy air strikes have enabled the government troops to hold their ground and have complicated the Communists' logistics and manpower problems. Even if the

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**Khmer Communists**  
*Planning for action*

Communists do not overrun Neak Luong, they will still be able to harass resupply convoys on the Mekong.

30 [The only bright spot for the government during the week was on Route 5, where Cambodian units broke the Communists' two-month-long hold over a section of that vital highway some 50 miles north of Phnom Penh. Several bridges along the road have been destroyed and must be repaired before Route 5 can be reopened to traffic.]

#### **Sihanouk Stands Fast**

31 [The Khmer Communists' nominal commander in chief, Prince Sihanouk, continues to take a hard line on the prospects for negotiations. Sihanouk, winding up a tour of a number of African countries, said again on 29 May that he would never negotiate with Lon Nol. He will discuss a peace settlement with the US and is prepared to establish diplomatic relations with Washington as soon as the US abandons "the traitors of Phnom Penh." Sihanouk protested that

Cambodia is "not a satellite" of North Vietnam and insisted that the Cambodian problem be solved by Cambodians only.]

#### **VIETNAM: SORE SPOT IN THE DELTA**

10 [In some parts of South Vietnam there are continuing signs that the Communists are determined to use their military muscle to expand their holdings. Chuong Thien Province in the delta is one of these trouble spots. Although it has relatively few people, it is adjacent to important Communist sanctuaries and supply routes from Cambodia. Since the start of the cease-fire, Chuong Thien has consistently borne the brunt of Communist military action in the delta.] Government officials view the current level of action as a prelude to a Communist campaign to capture the whole province, but some US officials believe that the Communists will stick to their nibbling operations.]

7 [Chuong Thien has some of the heaviest concentrations of Communist combat units in the southern delta. These forces include three infantry regiments, elements of an artillery regiment and a sapper group, along with the senior command of the Communist forces in the southern delta.]

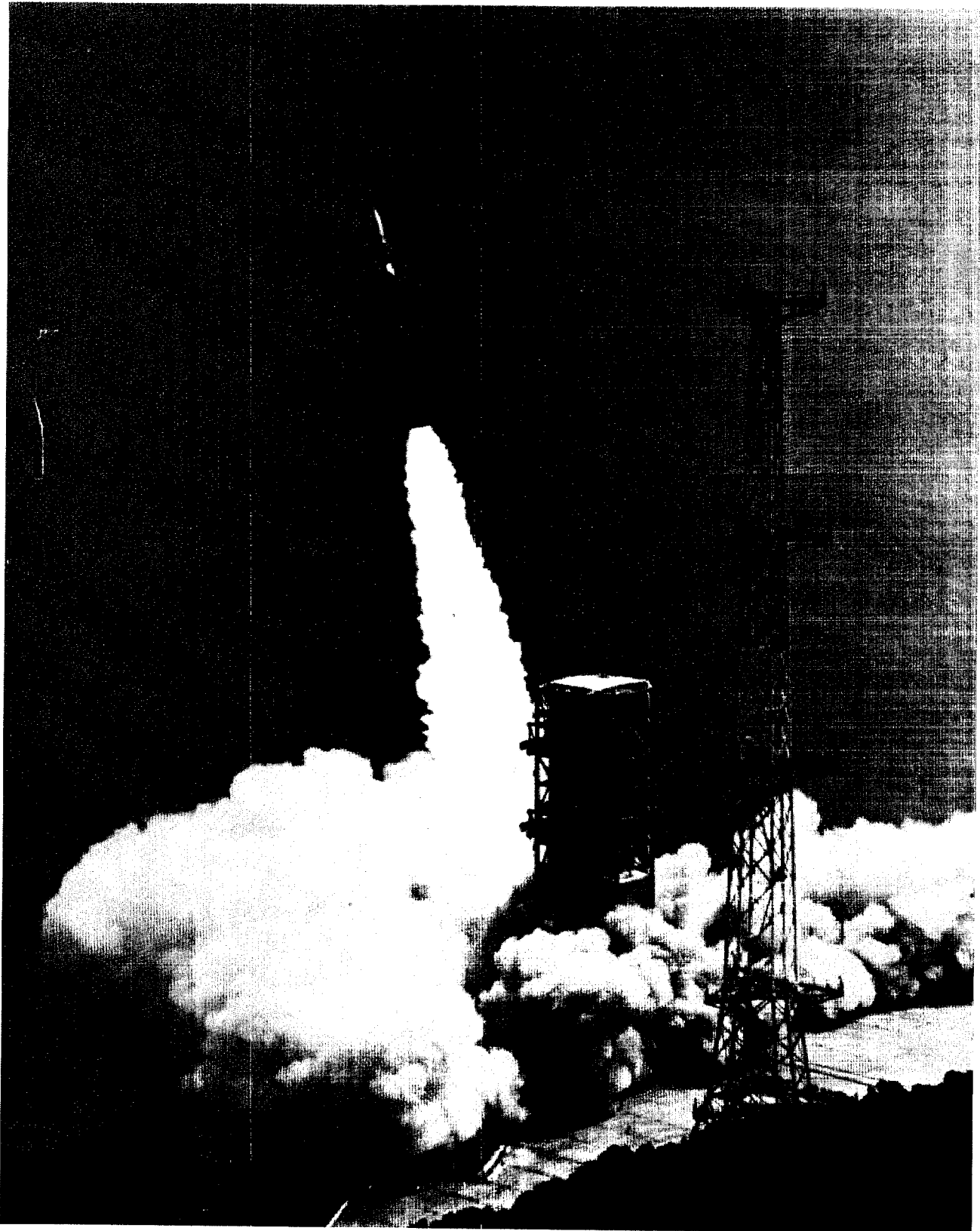
7 [On the government side, the South Vietnamese 21st Division has the responsibility for Chuong Thien Province. Two regiments of the division, supported by two Ranger battalions, have been given the job of disrupting the infiltration of Communist personnel and supplies into and through the province.]

8 [At present, government control is restricted to the areas immediately surrounding the district and province capitals. Much of the rest of the province has been in effect ceded to the Communists.] Communist attacks, consisting for the most part of mortar and rocket fire are keeping the South Vietnamese defenders close to their bases and outposts.

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Japanese launch scientific satellite, September 1971.

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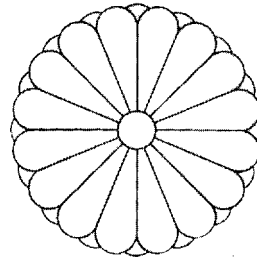
## JAPAN: SPACE PROGRAM LAGS

32 [Controversy has arisen over the slow progress and limited capabilities of Japan's space program. Critics in both government and industry see Tokyo's reliance on domestic efforts to develop a three-stage space launch vehicle as the major problem. Although the Japanese are acquiring US technical assistance, including a Thor-Delta first stage, for the development of a booster, the Japanese vehicle will be able to put only a 250-pound payload into synchronous orbit. This capability would not be sufficient to launch communications satellites to meet Japan's domestic requirements.]

32 [Critics of the space program, especially in the Japanese Ministry of Communications, argue that a 650-pound communications satellite is needed by 1976 to meet these requirements. The critics claim that Tokyo should end its efforts to develop a Japanese space launcher and purchase one from the US. For this purpose, the ministry has asked for a greatly increased space budget over the next several years.]

32 [The government's space activities committee, which oversees the program, is reluctant to reduce Japanese efforts to develop an independent space program. Instead, it has undertaken an extensive review of the program. It has approved a space budget for 1973 of 36,679 million yen (about \$140 million), roughly a 50-percent increase over 1972. This increase still does not reach the level considered necessary by critics of the program.]

32 [The results of the review are to be announced later this year. The committee is likely to recommend some additional increases in foreign technical assistance, while encouraging the continued development of a domestic space capability. Tokyo may eventually be forced, however, to take the alternative course—greatly increased reliance on the US or other foreign countries. Japanese officials are already thinking of asking the US to launch a 550-pound weather satellite for international use that will be ready in 1977.]



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## THE GERMANIES

### OSTPOLITIK SCOREBOARD

38 [Chancellor Brandt's Ostpolitik got mixed reviews this week. On the plus side, West German and Czechoslovak negotiators finally announced completion of a draft treaty normalizing relations. This long-awaited good news paled in the face of a challenge to the inter-German basic treaty on constitutional grounds.]

38 [The Czechoslovak treaty was the final hurdle in Brandt's campaign of reconciliation with Germany's World War II enemies to the east. The treaty opens the way for diplomatic relations with Hungary and Bulgaria. The absence of any great historical problems obviates the need for special treaties with these countries, but there is some question, at least in Bonn, whether Moscow may ask Budapest and Sofia to hold back until Bonn ratifies its pacts with Prague and Pankow.]

36 [Soviet caution would be understandable, given the surprise decision of the conservative Bavarian government to seek a court ruling on the East German treaty. The court decided on 29 May to hear the case. It will begin deliberations on 19 June, and is expected to hand down its ruling on 31 July. At the same time, the court rejected another Bavarian challenge questioning the objectivity of one of the justices, and put off until 4 June a ruling on the Bavarian request that President Heinemann be enjoined from signing the treaty ratification legislation. This last step is a effort to take some of the heat off the court by putting it on Heinemann.]

37 [There is guarded optimism in Bonn that the court will find the treaty constitutional. The first chamber of the court, dominated by opposition-appointed justices, will debate the constitutional issue. It cannot be assumed, however, that opposition-inclined justices will necessarily vote against the government, for a sizable element of the Christian Democratic Union no longer opposes the treaty. Several Christian Democrat state governments, for example, did not support Bavaria in its unsuccessful attempt last week to block the treaty in the upper house of parliament.]

37 [Even the decision to hear the case, however, is a setback and an embarrassment for Brandt.]

Assuming that the treaty's ratification would be completed by early June, the two German states—in conjunction with the US, USSR, UK, and France—had planned to apply for UN membership in July. Now the Brandt government will have to decide whether to adhere to its long-argued position that a ratified inter-German treaty must precede UN membership. Court review will also rekindle suspicions in East Berlin and perhaps Moscow about the ability of the Brandt government to deliver on detente.]

### TWO YEARS OF HONECKER

40 [After two years at the top, First Secretary Erich Honecker is in firm control of the ruling Socialist Unity Party of East Germany. He has made no sudden personnel changes, but has carefully placed his supporters in key government and party positions. At this time, there appears to be no one on the East German scene who can challenge his primacy. Under the unblinking Soviet eye, however, Honecker—like his predecessor, Walter Ulbricht—must walk a thin line when engaged in foreign policy matters. Like Ulbricht again, Honecker has had but limited success in winning support from a skeptical populace.]

40 [Honecker, in his early career, was co-founder and leader of the party's youth organization; he later became Ulbricht's hatchet man in ousting party dissidents and was then entrusted to head the Politburo's important cadre and security commissions. In this role, he supervised the building of the Berlin Wall. Throughout his career, Honecker has demonstrated that he is strong on organization and administration and, more important, that he has an instinct for making friends in Moscow and for being on the winning side in important debates at home. Often referred to as "second secretary" by party functionaries in the 1960s, Honecker actually ran the party's day-to-day business. Thus, it came as no surprise that he succeeded Ulbricht as party boss in May 1971.]

40 [Nor is it surprising that Honecker has acted circumspectly since then. To maintain an air of stability and continuity, he has avoided abrupt departures from the ways of the old regime. He has moved slowly to broaden his political base by placing loyal supporters in key positions.]

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Erich Honecker

Honecker has dealt with possible contenders not by ousting them but by assigning them new responsibilities that take up their time and energies. He has permitted considerable intra-party give and take in policy formulation, but he has carefully kept final decision-making in his own hands. The 61-year-old Honecker made good use of his long apprenticeship in sensitive positions, and he and the party-government apparatus have adapted easily to each other.]

40 + 41 [Honecker does have problems. East German and Soviet interests do not always coincide, particularly on West Germany. He has not resisted Moscow as often or as stubbornly as Ulbricht, but the Soviets have been able to extract only reluctant agreement from him to be more accommodating to Bonn. Honecker knows that he needs Moscow's approval to remain in power, and so he tries to minimize frictions in representing East German interests. His method has worked. Two weeks ago, Brezhnev lavished high praise on Honecker and gave him the Order of Lenin.]

40  
41 [Honecker has had no more success than his predecessor in winning real support. The East German populace particularly resents *Abgrenzung*

(separation from West Germany) and regards with skepticism most of the regime's other policies. Popularity, however, is not a prerequisite for remaining in power. Unless Honecker makes some move that arouses Soviet ire, he will remain the boss for some time to come.

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## CEMA TRIES TO EXPAND

42 [The European Communist countries, in an effort to strengthen economic relations, are encouraging certain non-Communist countries to establish ties with the Council for Mutual Economic Assistance. In mid-May, Finland became the first non-Communist country to sign a co-operation agreement with CEMA, and Iraq is talking about it.]

44 [These developments follow a decision last month to establish a \$1.3-billion fund to provide economic and technical aid for the developing countries. The fund, which will go into operation next January, will provide 15-year untied credits in transferable rubles and hard currencies. This is in addition to \$900 million in credits now made available annually to developing countries by individual CEMA members; these are tied to purchases in the donor country.]

46 [CEMA was set up in 1949 at Moscow's behest to increase economic specialization and to coordinate the economic policies of the members. In addition to the Warsaw Pact countries, Mongolia and Cuba are full members, and Yugoslavia, North Korea, and North Vietnam are observers. Moscow's attempts to widen the organization probably reflect the need to expand sources of energy supplies, particularly for the East Europeans. These countries may also be anxious to obtain raw materials, consumer goods, and labor.]

46 [Iraq has marketed some oil in the USSR and Eastern Europe and may have hoped to sell more. Demand for Iraqi oil has been rising in the West following the settlement with the Western-owned Iraqi Petroleum Company. As a result, Iraqi co operation with CEMA may now offer less than when Baghdad first sought observer status in 1972.

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# ICELAND

## FIRE FOR EFFECT

21 [The reaction in Iceland to the introduction of British warships into the "cod war" has been severe. On 24 May, an angry crowd broke windows in the British Embassy, and two days later, an Icelandic patrol boat turned its deck gun on a British trawler. There were no injuries in either incident.]

21 [Iceland was trying to build up special pressures on the US and NATO to force the British to withdraw before the French-US summit meeting in Reykjavik. The effort failed, but the damage to US-Icelandic relations, particularly Reykjavik's attitude toward retention of the NATO base at Keflavik, has been considerable. Icelandic leaders of all parties now risk political oblivion by supporting retention of the base, and the original price, which was expected to consist of only slight modifications to the base agreement, has probably gone up. One government spokesman mentioned a rental fee of \$80 million annually, but the prime minister said he would not permit a "Malta-like" arrangement for Iceland.]

18 Foreign Minister Agustsson announced that his government would invoke Article VII of the base treaty on 14 June at the NATO ministerial meeting in Copenhagen. This will start the clock provided for in the treaty's termination clause.

Under its terms renegotiation must begin within six months; if no agreement is reached, either party can give notice of intent to terminate the agreement within twelve months. Agustsson's move may provide time for Icelandic emotions over the fishing issue to cool before base negotiations must be concluded.]

19 [The situation on the fishing banks is a stalemate. The British trawler fleet continues to operate inside the 50-mile limit. The ships are divided into two "packs," each guarded by a Royal Navy frigate and two support ships. Trawlers that stray from the packs are subject to fine by the British trawlermen's association. The four Icelandic patrol craft continue to watch for unprotected trawlers to capture and arrest.]

20 [NATO proposed on 29 May that the British withdraw the warships in return for a guarantee that Iceland cease harassing the trawlers. Secretary General Luns offered the plan to bring both parties back to the negotiating table. Such a scheme would permit the British to continue to fish, and the Icelanders are in no mood to compromise on that score.] Reykjavik has rejected any sort of mediation by third parties, but has not yet responded to Luns' proposal, which concerns only the use of naval forces, not the details of a compromise agreement.

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## USSR: JEWISH EMIGRATION

51, [Soviet Jews are leaving for Israel this year at a rate of nearly 2,600 per month, a pace closely matching that of 1972. The suspension of the education tax last March has had no effect on the over-all rate, but there has been an increase in the proportion of better educated emigrants. Emigration from Moscow and Leningrad—cities with relatively well-educated Jewish populations—is currently more than triple the pre-suspension rate.]

58 [Non-financial obstacles still bar Jewish emigration, however, and there is no sign that the Soviets are prepared to relax these internal controls. An *Izvestiya* official warned [ ] last week that those who hoped to use the summit to extract concessions from the USSR on the emigration issue would be sorely mistaken. Jewish activists have been complaining to the US Embassy in Moscow of increased repressive measures and exit refusals.]



Soviet Jews Protest in Moscow

## Jewish Emigration from the USSR, 1972-73

	1972	1973
January	2,275	2,731
February	2,025	2,407
March	2,777	2,555
April	2,110	2,689
May	2,669	
June	3,332	
July	2,065	
August	2,197	
September	2,059	
October	3,545	
November	3,546	
December	2,813	
	31,413	

56 [The Soviets are, of course, sensitive to the connection between Jewish emigration and US-Soviet relations. They have held open the possibility that, through no fault of theirs, the rate of emigration may decline later in the year. Early last month in a meeting with New York Mayor Lindsay, Deputy Minister of Internal Affairs Shumilin claimed that the number of new applicants for emigration to Israel had declined during the past two months.]

54 [As an earnest of improved relations with Washington, Moscow may be preparing to grant exit permission to several score Soviets, many of them Jewish, who have for some time been trying unsuccessfully to emigrate to the US. In the past, only about 20 percent of those on US lists of Soviet citizens wishing to emigrate have received permission to leave. Last week, however, a Soviet official confided that "appropriate circles" had made a decision "in principle" to grant exit permission to "most" people on the new US list. He said that final decisions on individual cases would be taken in early June. Such a gesture, if it is made, would be timed to improve the atmosphere for Brezhnev's visit. ]

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**SECRET****EUROPE: CLOSER TO A CONFERENCE**

61 [The preparatory talks for the Conference on Security and Cooperation in Europe, which began last November, have cleared the way for the opening of the first stage of the conference itself. This will take the form of a foreign ministers' meeting in Helsinki in late June or early July.]

62 [The principal business in recent weeks has been to draft negotiating "mandates" for the four main agenda topics: security, economic cooperation, human contacts, and follow-up machinery. These mandates, if approved by the foreign ministers, would guide the commissions that would eventually prepare the agreements the conference would approve at a later date.]

60 Soviet flexibility opened the way for progress on the human contacts mandate, to which the West attaches importance. The Soviets had been holding out for a reference to "non-interference in internal affairs," and such a formulation would have made it difficult to come up with meaningful measures to increase East-West contacts. The negotiators have now decided not to list specific principles in the human contacts mandate, but to refer instead to the principles listed in the security mandate.]

60 [Most of the problems that had surrounded these security principles have been settled. The doctrine of the "inviolability of frontiers"—perhaps the most important topic to the Soviets—is listed separately, as they have demanded. The principle of "non-use of force" is listed first, however, to satisfy the West Germans that "inviolability of frontiers" would not necessarily prevent the reunification of Germany by negotiated agreement at some future time.]

60 [Although the economic cooperation mandate is incomplete, the unfinished parts probably will not be troublesome. Discussion of follow-up machinery has only begun, but the debate should not take long. The Soviets had insisted on language that would permit discussion of separate and permanent machinery, but they have recently seemed willing to settle for less.]

61 [There is one substantive issue—involving the security mandate—that could still cause problems.

Some of the Western allies are insisting on "confidence-building measures" that would allow observers at, and require advance notice of, "major military movements." While the Soviets do not oppose confidence-building measures across the board, they are adamantly opposed to so wide an application of them.]

62 [Other than that, the main question mark confronting both the security conference and the force reduction talks is the linkage the Soviets are trying to impose on the two. They have stated that formal force reduction talks should not start until at least a month after all stages of the security conference have been completed. The West wants to hold Moscow to its previous agreement that force reduction talks would begin no later than the end of October, without reference to the security conference. Should the Soviets be difficult on this matter, the allies could retaliate by blocking the start of the first stage of the security conference, which the Soviets want very much. The allies would prefer not to have to do this. Many of them still attach some importance to a security conference as a vehicle for East-West detente and foresee some positive results for the West in the human contacts it may foster.]

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**ITALY: SCRAMBLE FOR POWER**

72 [The Christian Democratic Party congress next week will go far to determine the future shape of the governing coalition. At issue are the fate of Prime Minister Andreotti's year-old centrist coalition and the possible revival of the Christian Democratic - Socialist collaboration that produced the center-left coalitions of 1963-1972.]

72 [Andreotti's fragile coalition of Christian Democrats, Social Democrats, and Liberals has run into serious trouble. The government's critics have been noisier, and Andreotti has sustained a record number of parliamentary defeats on substantive issues. This week, the Republican Party—whose parliamentary support provides the

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Major CHRISTIAN DEMOCRATIC  
Party Factions

1969	Delegates (Approximate percentage)	1973
8	New Force	10
10	Base	11
13	Moro	8
16	Fanfani	19
10	Taviani	(8)
20	Rumor-Piccoli	33 (25)
16	Andreotti-Colombo	15
3	Scalfaro	2
4	Other	2

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63 coalition's slender margin of survival—declared that it would no longer support the government in a confidence vote. The declaration followed Andreotti's refusal to acquiesce in Republican demands for the dismissal of a cabinet minister whose handling of television policy had irritated party leaders.]

72 [Although chamber rules precluded a confidence vote before the recess for the congress,

the Republican rebuff pushed the Andreotti gov- 25X1  
ernment out onto very thin ice. Republican and coalition leaders have indicated a willingness to wait until after the congress.

72 [The divided state of the Christian Democrats does not portend a clear resolution of the party's problems. The strength of the party's organized factions has remained relatively stable since the congress in 1969 with no single faction gaining a clear majority. As usual, the outcome of the congress will depend on deals worked out behind closed doors.]

64 [So far, Interior Minister Mariano Rumor has gained control of about a third of the delegates. His principal competitor is Fanfani, who is trying to augment his faction with groups drawn mainly from the party left. Andreotti has not yet allied his faction with either of them. If neither Rumor nor Fanfani is successful in rallying a majority, a broad grouping, excluding only the party's right and left extremes, could emerge.]

69 [With the exception of Andreotti and others on the party right, most Christian Democratic leaders, including Rumor and Fanfani, are leaning toward renewed collaboration with the Socialist Party. Whether this apparent trend emerges as formal party policy depends on the resolution of both personal and ideological rivalries. A clear condition for such a shift is a Socialist guarantee that it will keep its distance from the Communists. Continued Socialist alliance with the Communists in local governments has been an obstacle, but recent Socialist policy statements take a moderate line and open the door to a rapprochement with the Christian Democrats.]

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## GREECE: ALL THE KING'S MEN

80 The planned naval mutiny last week, at first portrayed by the government as a clumsy affair with comic opera overtones, appears to have been the first move in a plot aimed at toppling the Papadopoulos regime and bringing back King Constantine. The Greek Navy is traditionally royalist. The extent of the plotting became clearer on 25 May when the commander of the Greek destroyer *Velos* detached his ship from NATO exercises and sought asylum in Italy, along with 30 officers and crewmen. The list of naval officers under arrest or suspicion in the plot has grown.

80 Security forces had no trouble foiling the mutiny attempt on the night of 22-23 May and rounding up some 35 suspects. Their action did not, however, prevent the subsequent defection of the men on the *Velos*, which was at sea when the government moved against the plotters. The *Velos* affair deeply embarrassed the government, since it demonstrated that the conspiracy was more widespread than the regime had at first thought.

80 Nevertheless, it is from the army and not the navy that Papadopoulos draws his support. Although many army officers have been unhappy

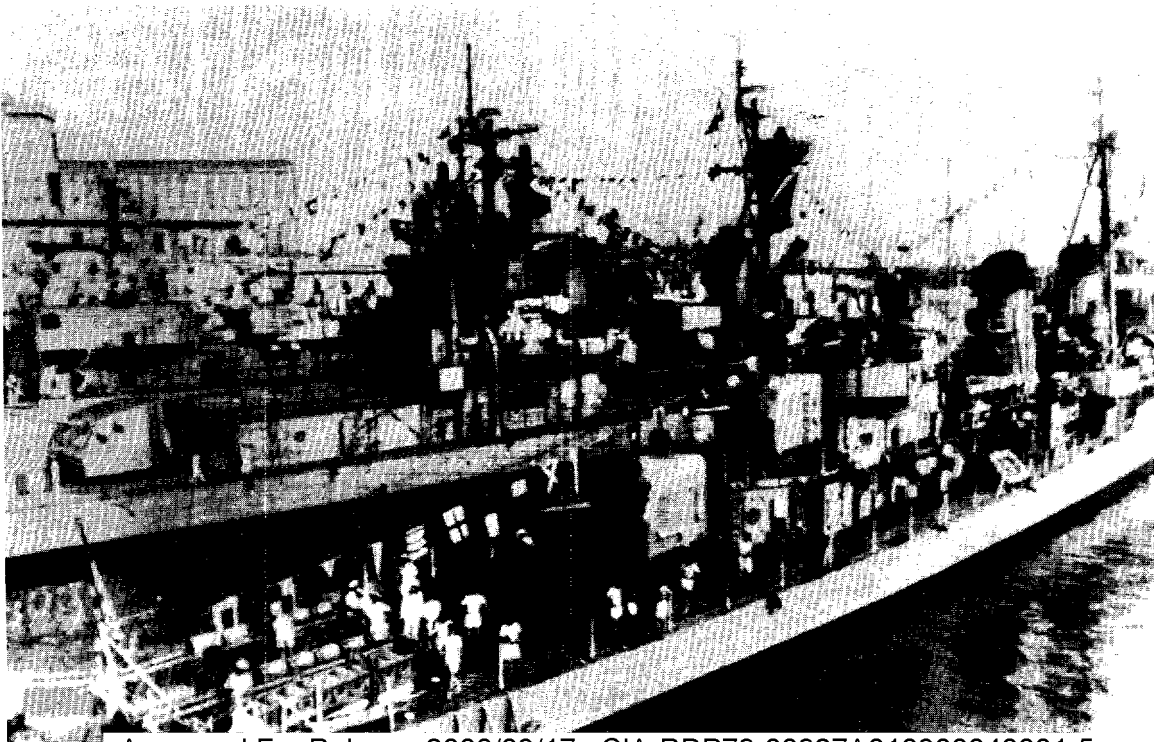
with Papadopoulos' performance for some time, and a few may have been in league with the navy plotters, there is no sign that key army leaders were involved in the plot. US officials report some special security precautions, but say that in general the regime is functioning on a business-as-usual basis.

80 Papadopoulos may actually be able to improve his position if he can tap anti-monarchist sentiment to unite the more important army leaders behind him. A number of officers whose backing is essential to Papadopoulos are strongly opposed to the King's return because they fear it would only lead to a reduction in their own power and prestige.

80 There are conflicting reports on the King's role in the affair, but so far no hard evidence that he was involved at all. Nevertheless, the government has concluded that the King was linked to the plotters, and it may yet try to use the incident to discredit the King and perhaps further Papadopoulos' plan to eliminate the monarchy. Two pro-government newspapers have commented that Constantine's chances of returning are now bleak.

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The *Velos* in Genoa



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Zaid Rifai

## JORDAN: IN WITH THE OLD

(81 + 82)

King Husayn's choice last week of Zaid Rifai as prime minister is designed in part to assuage public unhappiness with the Lawzi government's feckless handling of the Jordan economy. Rifai, a long-time confidant and adviser, has a reputation for decisiveness and should give the government at least the outward appearance of dynamism it has lacked. He is unlikely, however, to make any headway against the country's economic problems. The King also believed that his views on foreign policy matters were not being effectively communicated to other Arab leaders. Rifai, who will also serve as foreign minister, will be expected to correct this deficiency. Otherwise, the new cabinet—which contains a mixed bag of politicians, bureaucrats, and academics—differs little from its predecessor.

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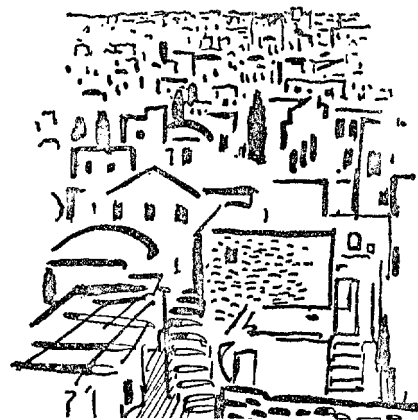
## SYRIA: RARE ELECTION

83 Syria's National Progressive Front, a loose association of parties dominated by the socialist Baath Party but including the Communist Party, won an overwhelming victory in balloting on 27 May for the new 186-member People's Council. The nationwide elections—the first in Syria since the Baathist military coup ten years ago—were orderly, but apparently less than half of the electorate went to the polls. The only hint of controversy came from the northeastern city of Aleppo near the Turkish border where some "invalid voting" was reported; there has been no further explanation.]

84 The elections are an outgrowth of the adoption last March of a new constitution and are intended, like the popular referendum held on the constitution, to provide Syria a framework of legality and a semblance of democracy. President Asad remains in firm control, however, and will continue to be the chief architect of government

policy. The new council will function largely as a rubber stamp. Asad probably will name Prime Minister Ayyubi to head a new cabinet, although it is possible that Ayyubi will be chosen instead to preside over the council. In that event, Deputy Prime Minister Haydar is likely to become prime minister.

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**SECRET****INDIA: "INDIRA WAVE" RECEDING**

Prime Minister Gandhi's personal prestige is fading. The so-called Indira Wave brought her Ruling Congress Party solid majorities in most of the state legislatures in the most recent elections in March 1972, and, until this year, her name alone seemed sufficient to swing the voters to her cause. Within the party, ambitious politicians hewed closely to the line she set and took care to present the unified political front she demanded.

Now, many of these same politicians, although they have no immediate intention of deserting her party, are beginning to express ideas of their own and to build independent political identities. Having noted that Congress Party standard-bearers fared poorly in recent state and municipal by-elections, they are questioning the wisdom of pinning their political futures entirely on that of the prime minister.

Mrs. Gandhi's sagging prestige can be traced largely to her inability to come up with solutions to India's all but intractable economic problems, made worse this year by a serious drought. Her government's failure to provide sufficient food stocks to meet shortages has been especially damaging. The lack of progress in forcing powerful landowners in the state assemblies, who provide the backbone of Congress Party financial support, to implement land reform legislation enacted in New Delhi is also coming in for increased criticism from peasants. At the same time urban workers' complaints about high prices for food and other necessities are rising.

Businessmen find fault with the prime minister's stringent controls as well as her favoritism of public over private enterprises. The recent government take-over of the wholesale wheat trade, which has deprived traders of their livelihood but failed to add the promised amounts of grain to government stores, fuels their discontent. Moreover, as economic conditions deteriorate, voices are being raised against Mrs. Gandhi on such non-economic issues as her recent packing of the supreme court and her abortive attempts to control the press by limiting the size of newspapers.



Although there is no immediate threat to Mrs. Gandhi's hold on the national government, her prospects for re-creating the enormous popular enthusiasm that built the Indira Wave are not bright. The arrival of imported food grains, the harvesting of the spring crop, and the onset of a good summer monsoon could bring her some relief, but her basic problems, for which she has no magic solutions, will go on. Restiveness, of which the recent police revolt in her home state is just one example, will persist. As the prime minister's reputation for omniscience diminishes, factionalism within her Congress Party will increase, and fewer politicians will want blindly to follow her lead.

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# OAU: STORMY MEETING

86 The Arab-Israeli issue and the dispute between Ethiopia and Somalia dominated the tenth anniversary meeting of the Organization of African Unity that ended in Addis Ababa this week. The sessions, attended by some 25 heads of state or government, were marked by few positive accomplishments and by some of the stormiest debate in the organization's history.)

86 Under the prodding of Arab delegates from North Africa, the assembled leaders adopted another strongly pro-Arab declaration that, like last year's, castigated Israel and called for its unconditional withdrawal from all occupied "African and Arab territories." 87 A five-nation committee was named to present the organization's views on the Middle East to the UN Security Council next week.) 88 The chiefs of state, however, failed to call for all OAU member countries to break with Israel, as the Arab states had urged. Apparently, objections by more moderate countries such as Ivory Coast prevailed.)

86 Libya's effort to have the OAU headquarters moved from Addis Ababa, because of Ethiopia's close ties to Israel, also failed.) 87 Shouted down at the preliminary ministerial session, the Libyans continued to campaign vigorously the move at the summit meeting, reportedly offering financial inducements for support. Most African leaders apparently recognized that the suggested shift would further impair African unity.)

86 The delegates made little headway toward reconciling differences between Ethiopia and Somalia stemming from Mogadiscio's claims to large parts of Ethiopia inhabited by ethnic Somalis; Ethiopia was incensed that the issue was brought up at all and would only agree to a demarcation of the disputed border. Ethiopia rejected the authority of a proposed five-nation mediation committee.) 88 but apparently both sides agreed to allow a committee of eight heads of state to "study" the situation and extend "good

offices." 86 There is little hope that the committee, which will be chaired by Nigeria's General Gowon, will make much progress in bringing the two sides together.)

87 One unexpected accomplishment of the meeting was an accord between Ugandan President Amin and Tanzanian President Nyerere. After mediation by Ethiopia's embattled Emperor Haile Selassie, each side agreed, once again, to deny use of its territory for subversion against the other. Tanzania will assume responsibility for controlling Uganda's ex-president Obote, who has been in Tanzania since he was overthrown by Amin in 1971 and whose followers launched an unsuccessful invasion of Uganda last September.) 88 Uganda agreed to cease demands for Obote's expulsion from Tanzania. Despite the agreement, normalization of relations may still be far off. The Tanzanian foreign minister said that the accord did not constitute recognition of the Amin government. The hard-pressed Amin, for his part, may find it difficult to refrain from again turning on Tanzania when he needs a scapegoat. 25X1 25X1



Amin and Nyerere at OAU Meeting

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President Figueres

## COSTA RICA: A FOREIGN AFFAIR

107 President Jose Figueres' ties with mutual fund operator Robert Vesco have landed him in rough water again. Throughout his term in office, Figueres' penchant for free-wheeling policy-making has made him the object of controversy, but he has so far been able to ride out the storms. This time, the local press and opposition politicians are not letting the Vesco issue slip from the limelight, and Figueres may have a hard time convincing Costa Ricans that he has done no wrong.

101 Figueres was in his finest form explaining to a nationwide TV audience on 22 May how Vesco money turned up in his personal New York bank account. He was informal, even folksy. He admitted that the money did indeed come from sources close to Vesco, but said that it merely passed through his account to legitimate enterprises. He described the funds as "a little bank" that he managed on Sundays "as a hobby." This bland accounting did not wash well. The influential *La Nacion* concluded that Figueres had not

explained the origin of a large part of these funds and that he was doing harm to Costa Rica's international image.

102 Figueres defends his connections with Vesco and other financiers of like reputation by pointing to his success in attracting back to Costa Rica capital that had fled in the late 1960s. He says that all this capital has been legally invested and, moreover, that he brought it all in and knows where it all is.

103 Figueres is on weak ground in his support of the National Assembly commission's report on Vesco's activities. The political make-up of the commission (three members from Figueres' party and two from the major opposition party) and the tone and content of its report, which completely exonerated Vesco, suggest a strong coat of political whitewash. All signs point to a deal between Vesco and the major opposition party. Figueres' governing party welcomed and encouraged the Vesco operations in the first place, and an unfavorable report would have reflected adversely on the party.

107 The Vesco connection takes on significance because presidential elections will take place next February. Figueres cannot succeed himself, and the governing party's presidential candidate, Daniel Oduber, faces the task of dissociating himself from Figueres' scandal-marked administration. So does the candidate of the major opposition party, who reportedly says he did not know that his party's commission members were going to join in the whitewash of Vesco. He says he is trying to persuade them to take more critical positions. One member is now partially reversing his position and agreeing with other politicians and university professors who charge that the report omitted several key points:

- 105 • The international reputation of Vesco;
- The significance of Vesco's possession of a Costa Rican passport;
- The criminal and civil charges against him in the US;

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- The "relative importance of the moral and ethical question over the legal one."

Other politicians are calling for legislation, now nonexistent, to regulate the handling of investment shares.

107 Although Figueres hopes his explanations will ease the current row, he acknowledges that the Vesco matter will remain hot right up to election time. To make the campaign trail smoother for his party's candidate, he is separating Oduber from the problem and assuming full responsibility for the mess surrounding the mutual funds. After all, Figueres admits, "It was I who brought them to Costa Rica."

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### BOLIVIA: MILITARY CHANGES

107 [Ramifications of the Selich affair spread last week when President Banzer removed the two top army officers. Banzer thus took care of an outspoken critic, but the action cost him his most competent general, Zenteno, and weakened the prospects for political stability. The civilian political parties supporting Banzer have been the target of military criticism, and the chief of the right-wing Bolivian Socialist Falange may be the next to go. Colonel Selich may indeed prove more powerful in death than in life.]

109 [The change in leadership could have serious implications for the armed forces. The new army commander, although probably a more able officer than his predecessor, has a history of switching loyalties. Banzer himself has assumed the role of armed forces commander left vacant by the forced resignation of General Zenteno. This unusual action is an implicit recognition of the difficulty of replacing the very competent Zenteno, who had helped Banzer keep disgruntled younger officers in line. His departure also removes a curb on the political ambitions of the other generals, who no longer have to worry about how to deal with Zenteno.]

109 [The immediate cause for Zenteno's downfall was a political speech criticizing the performance of the two civilian political parties that support



General Zenteno

Banzer. Labeled "inoperable" by Zenteno, the parties seem intent on living up to that description. Regional organizations of the Falange are withdrawing support from Foreign Minister Gutierrez and calling on Carlos Valverde to assume the party leadership. Valverde, however, was implicated in the Selich plot against Banzer and is scheduled to be sent off as ambassador to Guatemala. In the face of mounting military criticism, the civilians maintain a "politics as usual" attitude.]

108 [Taken together, the events of last week show that military support of the Banzer government is not set in concrete and could easily be withdrawn. Furthermore, military criticism of the politicians has brought out in the open what has been apparent for some time—that few Bolivians other than President Banzer consider his governing coalition an entity that can be institutionalized as a base for a more permanent government structure. It may continue for some time, until Banzer and the military can think of a better arrangement or the civilians withdraw from it, but the Selich affair may herald the end of an era of optimism concerning the durability of the political solution knocked together in August 1971.]

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## PERU: AN OVERSHADOWING PROBLEM

116 [Labor unrest has tapered off, but there is still enough discontent to cause problems for a government hampered by indecision over how and when to replace ailing President Velasco.]

116 [The southern provinces are calm again, but the regime faces a new outbreak of worker discontent in the northern port city of Chimbote. A strike against a state-owned steel mill is being supported by fishermen who are protesting their union leader's decision to affiliate with a labor confederation controlled by the government. The workers have directed their wrath against the local offices of the Social Mobilization System and other symbols of the regime. A one-day nationwide general strike called for 21 May by the labor organization of the opposition American Popular Revolutionary Alliance failed to pick up support from other groups, but it may have been successful enough to encourage the party to shift from a policy of watchful waiting to a more activist one.]

111 [Meanwhile, moderate military elements are more disturbed with the way things have been going since Velasco was stricken last February. 116 Velasco's extended conversations with visiting dignitaries demonstrate that his mental faculties have not been substantially impaired. He remains a power to be reckoned with, and no one is anxious to appear to be grasping for the presidency. The moderates reportedly want to get rid of several radical cabinet ministers, and any attempt to do so might upset the government as long as Velasco, who leans toward the radicals, is around.]

114 [Velasco is postponing a public appearance until he has mastered the use of his new artificial leg. He may be ready for Flag Day on 7 June, but an appearance at the Independence Day festivities on 28 July is more certain. The latter occasion, 115 could be accompanied by an announcement of his retirement.]

112 [Behind the scenes maneuvering will intensify 116 as Independence Day approaches. Led by the minister of energy and mines, Fernandez Maldo-



President Velasco

nado, the army radicals will be trying to push through new revolutionary measures, and they could be aided by Velasco. The moderates probably hope that they have headed off more nationalizations by persuading Velasco to establish a three-man cabinet commission on private industry, but its composition suggests that they may be disappointed. Appointment of Prime Minister Mercado and the relatively conservative minister of economy has been offset to a large extent by the addition of Maldonado to the group. Mercado's political views place him between the radical and moderate camps, and his plan for reaching the presidency seems to be based on avoiding any confrontation with Velasco and the radicals.]

111 [Mercado probably has been working to convince his moderate backers that there will be ample opportunity for changes in radical ministers and policies once he is president. Moderates skeptical of this strategy could decide that direct action is called for even before Velasco steps down, but it is still more likely that the recognized need for armed forces' unity will prevail and that the succession, when it comes, will be orderly.]

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## UN: HOUR OF THE SPHINX

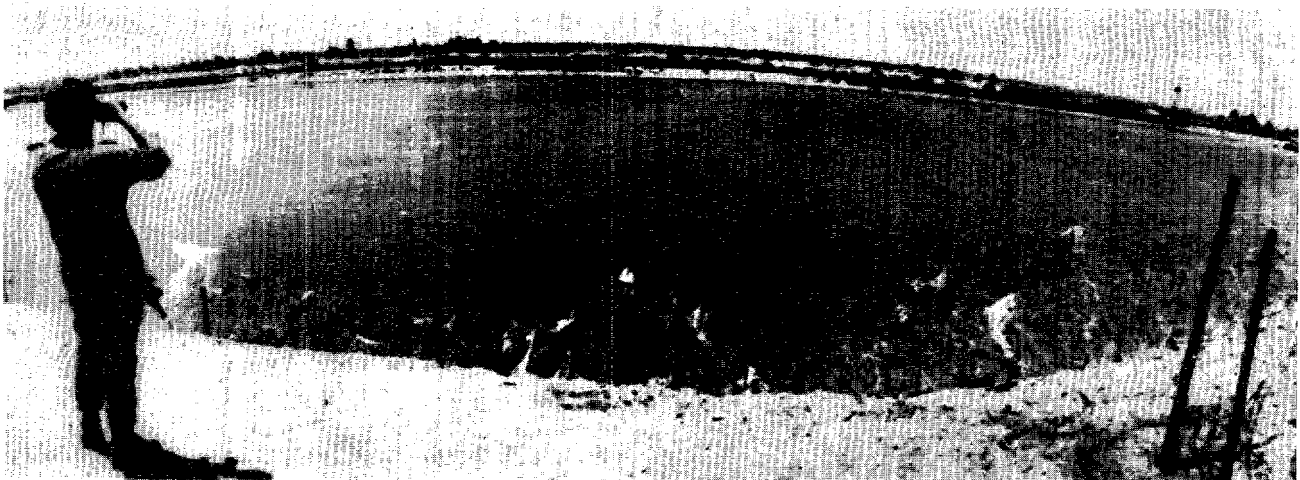
(117 -120)

When the Security Council opens its debate on the Middle East on 4 June, most delegates will still be waiting to learn what Egypt—which requested the session—hopes to achieve. Although it has engaged in weeks of intensive consultations, Cairo has neither revealed its intentions nor provided any initiative to which others could respond. Even states interested in advancing proposals on behalf of the Arabs apparently have not been informed of Cairo's desires.

A lengthy session may result from Cairo's indecision. Egypt has apparently not yet fixed on a strategy, and it may test attitudes in New York before advancing proposals. Cairo knows that the composition of the council is highly favorable to approval of Arab positions unless a veto is exercised. Cairo can easily find nine votes among the non-aligned, those hesitant to alienate the source of their petroleum imports, and those concerned that Arab frustration in the council may lead to new fighting in the Middle East. Only for the most radical proposals—for example, a wide revision of Resolution 242—would this support falter.

The session is expected to open with discussion of Secretary General Waldheim's history of UN efforts in the Middle East. Various council members are ready to attack the report on the grounds that it was drawn up without sufficient study, consultation, or impartiality. The Arabs will reportedly oppose the report as inadequate in its depiction of Israeli intransigence. Cairo will surely exploit such criticism in its effort to fix responsibility upon Tel Aviv for the current impasse. Cairo may also support proposals for new mediatory committees.

While Egyptians say they would prefer not to press the US to a veto, their pursuit of a resolution which they believe will bring progress toward finding peace may lead them to provoke a veto. Cairo apparently feels that this session must be sufficiently dramatic—and its silence thus far may be in part a device to add to the drama—to satisfy domestic expectations and to draw attention to the Middle East prior to the Nixon-Brezhnev talks scheduled for later this month.

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The Suez Canal

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